

Message Text

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S E C R E T CAIRO 9677

EXDIS

E.O. 11652: GDS

TAGS: OVIP (SADAT, ANWAR)

SUBJECT: SOME MAJOR SUBJECTS LIKELY TO ARISE DURING SADAT VISIT

1. EGYPTIANS MAY BE EXPECTED WANT ACHIEVE MAXIMUM IMPACT FROM UPCOMING SADAT VISIT IN TERMS OF OBTAINING PROMISES OF SUBSTANTIAL USG SUPPORT. LISTED BELOW ARE SUBJECTS WHICH WE WOULD EXPECT TO COME UP AND OUR UNDERSTANDING OF CURRENT STATUS OF EACH.

A. ARMS: SADAT HAS DISCUSSED WITH VARIOUS RECENT VISITING CONGRESSIONAL GROUPS HIS HOPE THAT USG WILL SELL RPT SELL HIM SOME DEFENSIVE WEAPONS. HE HAS POINTED OUT THAT, AS A RESULT OF HIS POLICY SHIFT TOWARD USG, SOVIET ARMS HAVE STOPPED. FRENCH AND BRITISH SOURCES UNABLE PROVIDE SOME EQUIPMENT EGYPTIAN ARMY WOULD LIKE. HE HAS SPECIFICALLY MENTIONED TOWS, F-5S, CY-130S AND SOME NAVAL EQUIPMENT. IN WAKE SECOND DISENGAGEMENT AGREEMENT, HE HOPES DOOR MAY NOW BE OPENED TO SUCH ARMS PURCHASES. EGYPTIANS WERE GRATIFIED AT PRESIDENT FORD'S STATEMENT THAT USG STUDYING POSSIBILITY OF ARMS SALES TO EGYPT AND FERVENTLY HOPE THIS WILL MATERIALIZE. THIS IS OF MAJOR IMPORTANCE TO SADAT.

B. NUCLEAR POWER REACTOR: GOE IS ANXIOUS TO PROCEED WITH SIGNING OF LONG-PROMISED NUCLEAR COOPERATION AGREEMENT AND WOULD LIKE TO ANNOUNCE FINALIZATION DURING SADAT'S VISIT. SOME TECHNICAL AND POLITICAL PROBLEMS, THE LATTER INVOLVING SAFEGUARDS, REMAIN TO BE RESOLVED BEFORE INITIALING COULD TAKE PLACE. EGYPTIAN REPLIES TO OUR LATEST NOTE ON TECHNICAL POINTS WERE SENT CAIRO 9195 AND FURTHER PERTINENT DISCUSSIONS WITH DIRECTOR OF EGYPTIAN ATOMIC ENERGY

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ESTABLISHMENT WERE REPORTED VIENNA 8258. THIS IS ANOTHER MAJOR

ITEM ON SADAT'S DOCKET AND EGYPTIAN SIGNING OR INITIALING DURING UPCOMING VISIT WOULD HAVE CONSIDERABLE IMPACT. PLEASE ADVISE IF TECHNICAL PROBLEMS CAN BE SORTED OUT IN NEXT FEW WEEKS, IF NECESSARY BY SENDING ERDA TEAM HERE. ON POLITICAL SIDE, FAHMY HAD EARLIER AGREED SAFEGUARDS DID NOT HAVE TO BE RETROACTIVE IN CASE OF ISRAEL TO COVER DIMONA, BUT IS UNDER IMPRESSION WE ARE TRYING TO MAKE THEM RETROACTIVE IN THE CASE OF EGYPT. IT IS FAHMY'S UNDERSTANDING, BASED ON WHAT WE PREVIOUSLY TOLD HIM, THAT PERTINENT AGREEMENTS WITH EGYPT AND ISRAEL WILL BE IDENTICAL SO FAR AS SAFEGUARDS AND TECHNICAL POSITIONS ARE CONCERNED. PLEASE CLARIFY THESE TWO POLITICAL POINTS. RE A RELATED ITEM, EGYPTIANS MAY ALSO BE EXPECTED WANT TO DISCUSS FINANCING FOR NUCLEAR POWER PLANTS.

C. US ECONOMIC AID: SECOND DISENGAGEMENT AGREEMENT AND SADAT'S CONTINUING PUBLIC ANTI-SOVIET CAMPAIGN ARE LIKELY TO STOP ANY APPRECIABLE SOVIET ECONOMIC HELP. HE HAS ALREADY PUT US ON NOTICE THAT USG SHOULD ASSIST TO MEET SHORTFALLS. HE KNOWS OUR TENTATIVELY PLANNED ASSISTANCE FIGURE FOR FY '76, BUT EGYPTIANS MAY ALSO RAISE MORE EXTENSIVE COMMODITY AND PROJECT AID AS SET FORTH IN THEIR PAPER REPORTED CAIRO 8814. SADAT MAY ALSO ASK FOR COMMITMENT IN PRINCIPLE TO PROVIDE NEEDED WHEREWITHALL TO PERMIT SOVIET-BUILT FACTORIES LIKE HELWAN IRON AND STEEL WORKS AND NAG HAMMADI ALUMINUM PLANT TO CONTINUE TO OPERATE IF SOVIETS STOP SUPPORT. EGYPTIANS WILL WANT SOME KIND OF PUBLIC STATEMENT RE EXTENSIVE ECONOMIC AID.

D. EMERGENCY RELIEF PROGRAM FOR EGYPT: CURRENT STATUS OF OUR EFFORT SET FORTH STATE 218980, SUBSTANCE OF WHICH GIVEN TO ABU ISMAIL AND FAHMY. PREDICTABLY, ABU ISMAIL NOTED OUR DOLS 1 BILLION TARGET FIGURE INADEQUATE TO MEET EGYPT'S IMPORT DEFICIT REQUIREMENTS. SADAT MAY BE EXPECTED RECALL THAT AT SALZBURG HE INDICATED DOLS 3 BILLION DEFICIT, HALF OF WHICH ARABS AND HALF OF WHICH WESTERN COUNTRIES, I.E. US, EUROPE, AND JAPAN, SHOULD PROVIDE. AS REPORTED CAIRO 9550, ABU ISMAIL SAYS HE IS VIRTUALLY BROKE FOR THIS CALENDAR YEAR, LET ALONE HIS REQUIREMENTS FOR NEXT YEAR. WE SHOULD BE PREPARED OFFER CONSTRUCTIVE RESPONSE, BUT SHOULD ALSO SEIZE THE OCCASION TO AGAIN IMPRESS UPON EGYPTIANS NEED TO INSTITUTE RIGOROUS ECONOMIC REFORM PROGRAM. THIS WILL BE TOUGH.

E. FAITH AND HOPE SOCIETY HOSPITAL: THIS IS MRS. SADAT'S FAVORITE
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CHARITY TO WHICH WE HAVE ALREADY CONTRIBUTED EQUIVALENT OF DOLS 10 MILLION IN EGYPTIAN POUNDS. HER INTEREST IN OBTAINING FURTHER USG FINANCIAL HELP CONTINUES AND SHE RECENTLY SENT MIN SOCIAL AFFAIRS 'AISHA RATEB TO US TO SUGGEST POSSIBILITY OF AID HELP "IN KIND" FOR HOSPITAL. (SEE STATE 223109.) SHE WOULD LIKE TO HAVE USG UNDERWRITE ALL OR AT LEAST PART OF HOSPITAL COSTS AND WILL INDICATE AMERICAN ARCHITECTURAL FIRMS BEING CONSIDERED TO DO DESIGNING WORK. AS YET, SOCIETY HAS BEEN UNABLE USE OUR EARLIER

MONEY FOR AN IDENTIFIABLE US COMPONENT, PARTLY BECAUSE PROJECT IS MOVING ALONG RATHER SLOWLY. DESPITE MRS. SADAT'S INVOLVEMENT, PROJECT IS PRIVATE AND THERE IS NO INDICATION GOE ACCORDS IT HIGH PRIORITY IN ALLOCATION OF AID FUNDS. SOME TANGIBLE HELP WILL BE EXPECTED OF US.

F. CAIRO OPERA HOUSE: HAVING BEEN INCLUDED IN NIXON-SADAT COMMUNIQUE OF JUNE 1974, CAIRO OPERA HOUSE MAY AGAIN RISE. EGYPTIANS DO NOT CONSIDER LIMITED TECHNICAL ASSISTANCE WE HAVE PROVIDED UP TO NOW IN FORM OF FEW EXPERTS AND US FINANCED TRIPS TO REPRESENTATIVE PERFORMING ARTS CENTERS AS MEETING OBLIGATION. THEY WANT USG FINANCIAL HELP TO REBUILD OPERA HOUSE.

G. USE OF US-HELD EGYPTIAN POUNDS FOR DEVELOPMENT PROJECTS: WE HAVE SOME FEELERS THAT EGYPTIANS MIGHT LIKE TO RAISE POSSIBLE USE OF PL 480 POUNDS FOR DEVELOPMENT PROJECTS. THIS IS A HARDY PERENNIAL WHICH COMES UP FROM TIME TO TIME. EGYPTIANS WOULD, OF COURSE, LIKE THIS TO BE SEPARATE FROM AID DOLLAR ASSISTANCE.

#. DEBT RESCHEDULING: ALTHOUGH EGYPTIANS HAVE NOT RECENTLY RAISED ISSUE, WE CANNOT EXCLUDE POSSIBILITY THAT THEY MAY RAISE DESIRABILITY OF RESCHEDULING OF EGYPTIAN DEBT TO US. THIS WOULD IN FACT AFFORD THEM LITTLE RELIEF FROM THEIR PRESENT LIQUIDITY PROBLEMS. NEVERTHELESS, THEY MAY BELIEVE PRINCIPLE OF US AGREE-MENT TO SUCH US DEBT RESCHEDULING WOULD BE HELPFUL WITH OTHERS. WE BELIEVE THIS CAN AND SHOULD BE PARRIED.

I. JWG ACTIVITIES: EGYPTIANS ARE CURRENTLY SURVEYING STATUS OF VARIOUS JWG ACTIVITIES TO IDENTIFY WHERE US HAS BEEN DELINQUENT. IN CONTEXT THEIR "YOU GIVE, ME TAKE" ATTITUDE, THEY MAY WELL PRESS FOR MORE EXPEDITIOUS IMPLEMENTATION OF JWG PROJECTS AS WELL AS GREATER WILLINGNESS FINANCE PROJECTS DEVELOPED IN SUCH JWGS. THEY ARE THEMSELVES DELINQUENT ON MANY OBLIGATIONS, BUT WE WILL BE WELL ADVISED
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TO TAKE STEPS BRING UP TO DATE OUR OWN UNDER VARIOUS JWG CATEGORIES.
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